UNITED STATES EX REL . Civil Action No. 1:09cv296

PAUL FUNK,

Plaintiff,

vs. . Alexandria, Virginia

November 5, 2010

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MISSION ESSENTIAL PERSONNEL, . 10:32 a.m.

LLC,

Defendant.

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TRANSCRIPT OF MOTION HEARING
BEFORE THE HONORABLE LEONIE M. BRINKEMA
UNITED STATES DISTRICT JUDGE

APPEARANCES:

FOR THE RELATOR: KIT A. PIERSON, ESQ.

DAVID A. YOUNG, ESQ.

Cohen Milstein Sellers & Toll PLLC

1100 New York Avenue, N.W.

Suite 500, West Tower Washington, D.C. 20005

and

MARK HANNA, ESQ. Murphy Anderson PLLC

1701 K Street, N.W., Suite 210

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and

SCOTT NEWAR, ESQ. (by telephone)

700 Louisiana, 25th Floor

Houston, TX 77002

FOR THE DEFENDANT: ANTHONY H. ANIKEEFF, ESQ.

Williams Mullen

8300 Greensboro Drive, Suite 1100

McLean, VA 22102

(APPEARANCES CONT'D. ON FOLLOWING PAGE)

(Pages 1 - 21)

COMPUTERIZED TRANSCRIPTION OF STENOGRAPHIC NOTES

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1	APPEARANCES: (Cont'd.)		
2		ADAM G. CASAGRANDE, ESQ.	
3		Williams Mullen 1700 Dominion Tower 999 Waterside Drive	
4		Norfolk, VA 23510	
5		MONIKA L. MOORE, AUSA United States Attorney's Office	
6		2100 Jamieson Avenue Alexandria, VA 22314	
7	ALSO PRESENT:	ROBERT COZZIE, ESQ.	
8 9		ANNELIESE J. THOMSON, RDR, CRR U.S. District Court, Fifth Floor	
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                          PROCEEDINGS
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             THE CLERK: Civil Action 09-296, Paul Funk v. Mission
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   Essential Personnel, LLC, et al. Would counsel please note their
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   appearances for the record.
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             MR. PIERSON: Good morning, Your Honor. Kit Pierson for
   the relator, with Mark Hanna.
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             MR. ANIKEEFF: Good morning, Your Honor. Tony Anikeeff
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   for Mission Essential Personnel.
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             THE COURT: All right. Now, we have counsel from, is it
   Texas? Counsel from Texas is trying to call in.
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             MR. PIERSON: Mr. Newar.
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             Your Honor, if I may also note for the record, I have
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   David Young from my law firm is with me.
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             THE COURT: All right.
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             MR. ANIKEEFF: And also for MEP we have Adam Casagrande,
   who is a partner in my law firm, and Rob Cozzie, who is counsel
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   for MEP.
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             THE COURT: Is anyone here from the United States?
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             THE CLERK: Mr. Newar?
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             MR. NEWAR: Yes.
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             THE CLERK: Can you hear me?
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             MR. NEWAR: I can. Thank you, yes. Can you hear me?
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             THE CLERK:
                         Yes.
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             THE COURT: All right. I'm sorry, would you put your
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   name on the record again?
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My name is Scott Newar, for the relator. 1 MR. NEWAR: 2 THE COURT: All right. This is the defendant's second 3 motion to dismiss although first motion to dismiss the second 4 amended complaint, but in any case, it's the second time I'm 5 hearing a motion to dismiss this complaint. The matter has been extensively briefed. I don't need 6 7 to have you repeat what's in the papers, but I will give first of all the defendant a moment or two if there's any additional 8 9 argument you want to make. 10 MR. ANIKEEFF: Thank you, Your Honor. One thing we 11 would note at the outset is that we took to heart Your Honor's 12 comments at the last hearing, where you suggested that the last 13 complaint had meat on the bones and you suggested the allegations 14 were quite significant. 15 We have spent the last few weeks looking at that, and we 16 have looked carefully at the second amended complaint, and it is 17 not lightly that we come back, but we do come back because we 18 believe that in the second amended complaint, besides dropping LLE 19 and Gracor and a number of allegations that were made against us, 20 that if you dip down one level into this complaint and not look at 21 in the artful manner that it was pled sort of in gross, that there 22 was this large scheme, the complaint fails in each area of 23 allegation, and what I mean is the allegations about the CAT I 24 linguists in Afghanistan as to which out of a 42-page complaint

there is but one -- two sentences in two paragraphs as to an

unidentified person engaging in some discussion, with no mention of any linguists whatsoever, that any were passed through.

The consequence of going forward on that basis is to require us to go into a war zone and tie up our people and try and figure that out. I assure you we've been trying to figure out what that allegation is about, and we cannot.

And Mr. Pierson has been kind enough to tell me that
Mr. Funk -- I believe I'm being correct -- doesn't know the
identity of the official as to whom he's making the allegation.
At least that was the situation a couple weeks ago. As to that,
we feel there is an utter failure of proof.

We mentioned the, the various task orders and amendments simply to point out that we believe that Mr. Funk didn't understand --

THE COURT: And that may be correct, but, you know, the problem even in this post-Iqbal-Twombly era, it cannot and it isn't in this court going to convert motions to dismiss for motions for summary judgment.

The issue about the work orders or task orders is very interesting, and it may be a very effective defense down the road, but I don't see how the Court can in any respect consider that in evaluating whether the complaint if looked upon by -- in its four corners sufficiently alleges causes of action, sufficiently puts the defendant on clear notice as to what it is the plaintiff is alleging and how you would go about defending against it.

I mean, you now know that one of the ways you're going to defend against some of these claims is to say, well, the contract says one thing that sets out the general parameters of the business relationship, but the specifics are in these orders, these task orders or work orders that come through.

I think to require a plaintiff to start pleading to that degree of specificity basically means putting the entire case out at the very beginning, and I don't think that the law has reached that point yet.

MR. ANIKEEFF: All right. The one, the one point we'd make with regard to that is his entire case is based on the contract.

THE COURT: I understand.

MR. ANIKEEFF: And the contract, base contract, if he'd rely on that, he has no case, because there is no -- there is not a penny allocated, there isn't a single linguist ordered under the base contract, as we point out in both our opening brief and closing, so he doesn't have a case. The contract upon which he relies is the entire document, and we've added that portion that pertains.

I would note that our case -- our motion doesn't fail if Your Honor decides not to consider the technical exhibits, because the point that comes out of the technical exhibits is that the government was waiving the reading and writing requirements. Even without Your Honor considering those technical exhibits, as we've

MR. PIERSON: Your Honor, I think -- No. 1, I think it's

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to the government.

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factually wrong, I think it's procedurally wrong, and I think at the end of the day, the work orders don't really help them that much. In some respects, they actually hurt them, which is a point they really ignore in their brief. The contract itself sets forth requirements that they have to meet. They're explicitly in the contract. It's a contract they have to perform under, and the notion that a relator then has to find task orders which he doesn't even have in his possession that are issued the next year, two years, two-and-a-half years, I mean, that's just something that --THE COURT: All right, but you've had some discovery at this point. MR. PIERSON: Your Honor, we're basically just getting their documents now. They're voluminous. And what I would say about the discovery we're getting, Your Honor, I think there are two points I want to emphasize about the work orders. The documents they've submitted, what they basically say are they, they may waive written and reading requirements. They reaffirm the oral proficiency exams, and they sort of basically repeatedly say that complying with the oral proficiency requirements is required by the contract. So to the extent their argument is that there's a waiver, the documents they're relying on only show a very -- a narrow waiver that reiterates other aspects of the contract.

The second point, Your Honor, I'd make, which I think

- 1 highlights the factual nature of this and the appropriateness of
- 2 discovery, is the position they're taking regarding those
- 3 documents flatly, squarely contradicts their testimony to
- 4 Congress. You know, they have testified in front of Congress.
- 5 Their CEO has testified to Congress -- and it's attached as
- 6 Exhibit 1, I think, to their brief -- that they are testing people
- 7 | for reading and writing proficiency and they are testing them for
- 8 oral proficiency and that only people that pass the test using the
- 9 ILR standards are being sent over to Afghanistan.
- 10 That's the gist of our case. It's what their CEO has
- 11 said to Congress, and I don't know whether it was under oath or
- 12 | not, but he said it to Congress, and that's -- and our case is
- 13 that is not, in fact, what they're doing.
- 14 For them to come in here and argue that as a matter of
- 15 | law they don't need to be doing any of this flatly contradicts
- 16 | what they have told Congress.
- The other point I would emphasize, Your Honor, is that,
- 18 you know, Tony and I have, we've both been practicing law a long
- 19 time now. In terms of complaints that I've filed and in terms of
- 20 complaints that I've seen, when we were last in front of you, you
- 21 observed that there was far more meat on the bones of the
- 22 complaint than there ordinarily is in a case, and I think the
- 23 | level of specificity now in this complaint is pretty extraordinary
- 24 in my practice.
- I mean, the original complaint had about eight pages of

factual allegations. This complaint has about 35 pages of allegations. It tells them the who; it tells them the what; it tells them the when; it tells them the where.

And what they've done in their brief, Your Honor, when you plead a case, when you plead a fraudulent scheme, I mean, this scheme is an interconnected scheme. The gist of it -- putting aside the DOMEX allegation for a moment, the gist of it is that they are not, is that they're not testing appropriately and they're not -- and when people fail the test, they nevertheless move them through the pipeline.

That's the gist of it, and there are a lot of interconnected parts, and what they do is they try to take each of the individual parts and say, well, gee, for that individual part, for that specific allegation, which basically gives color and explains the nature of the fraudulent scheme, where's every item of detail for that allegation?

That's not what we're required to do. What we're required to do is tell them the who -- and in the case of a corporate entity, what the Fourth Circuit has said is that the corporate entity is enough of a who, but what we're required to do is tell them the when, the what, the where, and in general terms the who and the nature of the fraud, and that's what we've done.

It doesn't mean that for every particular allegation in the complaint, you have to hit a laundry list for each of the specific allegations.

So the short --

THE COURT: Let me ask you this: Mr. Anikeeff also mentions this problem with the unknown witness in Afghanistan on the Category I issue.

MR. PIERSON: Yeah. And what I would say about that, Your Honor, is he's identified in the complaint with about as much specificity as we can, what the complaint alleges is that Mr. Funk interviewed the MEP employee that was responsible for testing or had principal responsibility for testing in northern Afghanistan.

Mr. Funk doesn't know his name. Mr. Funk does say in the complaint that he reported that immediately afterwards -- immediately after the interview to Ms. Theiss, who is the director of their Human Relations Department, reported it to Mr. Peltier, and reported it to Mr. Marois.

So, you know, the point I would emphasize, Your Honor, is that, you know, what *Harrison* teaches, and I think it's pretty much its express words, is that courts should be hesitant to dismiss a complaint under rule 9(b) when the defendant has what it needs to defend the case.

They know what the allegations are. If the allegation about what is going on in Afghanistan is true, if they are, in fact, testing people, they know exactly who to turn to to prove their case, and in fact, they're in the course of trying to prepare their defense right now.

So, you know, there's nothing about the allegations in

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   this complaint that in any way impede or inhibit their ability to
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   defend the case, and in fact, not only have we laid it out in the
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   complaint, I've sat down with them and told them, you know,
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   basically told them we'll answer any questions they have about
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   what we're alleging, what we're trying to prove. I've given them
   a list of all the witnesses that we think are relevant in the
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   case. I mean, we could hardly do more.
              And the notion that they are not in a position to defend
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    this case, I mean, it just -- I don't think it passes --
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              THE COURT: All right.
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              MR. PIERSON: It's just -- it's not a viable position,
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   Your Honor.
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              THE COURT: All right.
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              MR. PIERSON: If I can make one other observation just
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    to clarify one point in the brief, which I'd like to address the
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   retaliation claim, because they've cited a case that I don't think
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   was in their original brief, which was the Owens case in 2010, a
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   retaliation, and there was a point that it made in the Owens case
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    that I think is fundamental and helpful to understanding the
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   retaliation issue.
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              What Owens basically says is that to decide whether
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    someone's engaged in protected activity, you don't ask whether
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    they threatened, whether they threatened the False Claims Act.
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   They may not even know the False Claims Act exists, but what Owens
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says is what we want to distinguish between our employers who just

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MR. ANIKEEFF:

1 in the regular course of their job are noting errors or things that could be done better, we want to distinguish that from people that are investigating or making complaints about things that involve impropriety or illegality. And there's simply no question here at multiple levels that what Mr. Funk was investigating in good faith and complaining about and refusing to participate in were concerns about, to use a mild word, impropriety, and to use a stronger word, fraud. THE COURT: All right. MR. ANIKEEFF: One minute, Your Honor? THE COURT: Yes. 12 MR. ANIKEEFF: Mr. Funk would like you to skip across the wave tops and look at the sea broad. We're not saying he has 13 14 to get into the weeds and plead every instance, but we're entitled under 8(a) to something that's plausible, and the point is that while he alleges this big, grand scheme and he's tied it all -- I 17 call it like a cotton candy fraud case, where there's lots of ethereal wrapping around a core, but what's missing is just dig 19 down a little bit. 20 The OPI, which he says is addressed in the technical 21 amendments, well, there isn't a single allegation of any kind of 22 fraud. He disagreed with a method by which they tested. 23 THE COURT: All right.

the contract concept. The base contract does not order anything,

That's point one. Two is to go back to

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   and so there can't be a fraud.
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              And lastly, with regard to retaliation, again, he
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   complained a lot, but the Owens case and Gordon, it has to be an
   intolerable situation.
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              THE COURT: Well, wait a minute. There's a difference
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   between constructive discharge and retaliation. Constructive
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   discharge, you're right, the conditions have to be so
   overwhelmingly oppressive that a rational person wouldn't be
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   expected to put up with it. That's one thing, but whether there's
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   been retaliation can be separate from that. For example, a
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   demotion would be an act of retaliation if it's a material change
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    to -- a material adverse change to the terms and conditions of
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    employment.
                 They're a different concept.
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              MR. ANIKEEFF: I agree. And there was no retaliation.
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   The only, the only thing he suffered --
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              THE COURT: Well, didn't he allege, though, that some of
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   his job duties were taken away?
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              MR. ANIKEEFF: Well, he is -- he was no longer -- the
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   linguist testing responsibility was transferred to the recruiting
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   department, but he's still the PDPC director.
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              THE COURT: Is it correct that the recruiting department
   was to some degree, there was a financial incentive to getting a
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   certain number of people into the system?
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              MR. ANIKEEFF: I have to go outside -- I mean, he's made
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that allegation. I can answer that. There's a reward, but it was

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not within their control.
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              In other words, the Recruiting Department recruits.
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   They put them into the process. If someone comes out the other
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   end and is deployed, there's a reward at some point.
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              THE COURT: So there is a --
              MR. ANIKEEFF: But they have no -- they can't do
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   anything other than put a person in the pipeline.
              THE COURT: Yeah, but, but there's still an incentive to
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   getting people out there into the field as certified translators
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   or interpreters.
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              MR. ANIKEEFF: Their job is to go recruit, yes.
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              THE COURT: Well, it's not as if they're paid on a
   straight salary; in other words, you get paid $600 a week whether
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   you send zero people or a thousand people.
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              MR. ANIKEEFF: They are paid a salary, and then if
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   someone comes out the other end, there is some type of a bonus.
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   There was at some periods of time.
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              THE COURT: All right, all right. I understand the
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   defendant's argument. I think a lot of the -- I think a certain
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   amount of the argument was based on materials outside of the
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    record, but this complaint as revised, I think it meets the
   necessary requirements of Iqbal-Twombly and rule 9 and rule 8.
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              I think the defendant is given fair and clear notice as
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   what the plaintiff's theory -- or the relator's theory of the case
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is, the types of fraud that are being alleged. Now, whether at

the end of the day when all the discovery is put together it flies is another issue. I'm therefore denying the motion to dismiss the second amended complaint.

And I will also note that of all the False Claims Act types of cases one could have, the nature of the, of the contractual relationship, the nature of the product that's supposed to be delivered here is so critical, when you think about how our soldiers rely upon the interpreters in Afghanistan in particular now that that's really the war zone and Iraq in the past, that — these types of contracts have to be fastidiously complied with, and in this kind of a context, the issues are so serious that if — even if a close call, I would in this case tip in favor of the plaintiff. Let the light be shone upon the situation, and at the end of the day, whether at a summary judgment motion or at a trial, it will be resolved.

But I think this plaintiff has put on a number of names -- I mean, you have specific people who have been identified as inadequate. I don't understand why that can't be quickly tested unless all these folks are in Afghanistan or outside of our reach, but I believe as I recall, some of these translators or interpreters are U.S.-based, they come from the U.S., so I don't know why they haven't been looked at.

I would think if the plaintiff's claims are correct, there would be evidence from soldiers in the field, many of them are now back here, that these interpreters couldn't interpret

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   their way out of a paper bag, or, you know, their English was so
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   bad, we never understood what they were saying, etc.
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              The issues in this case are very important, and they
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   need to go forward. So the motion is denied, and we'll go ahead
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   and perhaps see you down the road at summary judgment. Thank you.
              MR. ANIKEEFF: Your Honor, one point: There is a
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   tremendous amount going on in this case. Could we have leave for
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    21 days to answer the complaint? We are in the middle of a huge
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   discovery.
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              THE COURT: Is there any objection from the plaintiff?
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              MR. PIERSON: Your Honor, we don't object to that, and
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   if I could -- we don't object to it.
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              THE COURT: All right.
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              MR. PIERSON: If I could make one quick observation,
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   counsel actually has an excellent relationship in this case --
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              THE COURT: Good.
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              MR. PIERSON: -- and it is a complex case, and I believe
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    that we will probably jointly be approaching the Court requesting
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    some modification of the schedule, because everyone is doing
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   everything they can.
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              We're also taking very seriously your instruction that
   we should sit down together and sit down with the government. I
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    think we are in agreement the case needs to be on a slightly, not
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    significantly, but a slightly slower track to get everything done.
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              THE COURT: Well, given the fact that -- I would assume
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   some of the evidence is going to be coming in from Afghanistan?
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              MR. PIERSON: I think that's likely.
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              THE COURT: Yeah.
                                 I will not be unsympathetic to that.
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              But again, Judge Anderson is also -- you've got a
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   phenomenal magistrate assigned to this case. It's also a
   situation where, you know, I suggested to you last time you might
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   want to get with him early rather than late and see if you can
   resolve this dispute.
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              MR. PIERSON: I think, you know, frankly, Your Honor,
    just to sort of reiterate your point about the seriousness of the
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   nature of the allegations, I think, I think both Tony and I are in
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   agreement that it's a case that really calls on the parties to sit
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   down across with each other and perhaps a magistrate judge and the
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   United States and look at the evidence and see what we have and
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   see if that can be figured out sooner rather than later.
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              THE COURT: Who's your contact attorney at the U.S.
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   Attorney's Office?
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              MR. ANIKEEFF: It's Alan Gale is at the Main Justice
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   Department. He's the senior attorney.
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              THE COURT:
                          You're not working with anyone at the U.S.
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   Attorney's Office?
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                                  They are not participating actively.
              MR. ANIKEEFF: No.
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              MR. PIERSON: That's correct.
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              THE COURT: Wait, wait.
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              MS. MOORE: Your Honor, I'm Monika Moore for the United
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States here participating as local counsel, and the United States
has declined to intervene in this case. We are currently
monitoring it at this time, but we are staying apprised of
everything that's going on in the case.
          THE COURT: Well, have you actually decided not to
intervene, or are you still investigating? Because this is one of
these qui tams, I believe, where I told the government you had to
fish or cut bait because you take so long to investigate.
you decided now based on your investigation that you're not going
to intervene, or are you still investigating?
                      I think that we filed a statement of no
          MS. MOORE:
position when the last deadline did come about, so I did misspeak,
Your Honor. I don't know that an ultimate decision has been made.
          THE COURT: All right. That's the impression that I had
as well.
                     My apologies, Your Honor.
          MS. MOORE:
          THE COURT:
                     All right, that's fine.
          Well, again, as I've said, the case is now set to go
          I think as soon as you-all have either met with Judge
Anderson or met between yourselves and figured out the discovery
plan in terms of what kind of extension you need and for what
reasons, I just won't give you a wholesale extension --
          MR. PIERSON: Understood.
          THE COURT: -- but if you specify to the Court what it
is that you need the extra time for and how much time you need,
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   I'll be glad to look at that.
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              MR. PIERSON: We will, Your Honor, and I think we're
   talking about on the order of 30 days.
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              THE COURT: I don't think that's unreasonable.
              So the defendant has 21 days in which to file an answer
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    to the complaint, and that should take care of everything for
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    today.
            Thank you.
              MR. PIERSON: Thank you, Your Honor.
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              MR. ANIKEEFF: Thank you, Your Honor.
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              THE CLERK: Thank you, Mr. Newar.
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              MR. NEWAR:
                         Thank you.
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                              (Which were all the proceedings
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                               had at this time.)
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                        CERTIFICATE OF THE REPORTER
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         I certify that the foregoing is a correct transcript of the
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    record of proceedings in the above-entitled matter.
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                                                /s/
                                        Anneliese J. Thomson
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